



THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**For the Years Ended
August 31, 2022 and 2021**

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Bethlehem University Foundation, Inc.
Beltsville, Maryland

Opinion

We have audited the accompanying financial statements of ***The Bethlehem University Foundation, Inc.*** (a nonprofit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***The Bethlehem University Foundation, Inc.*** as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ***The Bethlehem University Foundation, Inc.*** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ***The Bethlehem University Foundation, Inc.'s*** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **The Bethlehem University Foundation, Inc.'s** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **The Bethlehem University Foundation, Inc.'s** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors

Frederick, Maryland

February 15, 2023, except for Notes 3 and 4, as to which the date is August 14, 2023

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Statements of Financial Position
August 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 429,763	\$ 244,291
Investments - Notes 3 and 4	26,101,101	33,167,050
Pledges receivable, net - Note 5	497,065	382,706
Prepaid expenses and other current assets	4,017	6,089
Computer equipment, net of accumulated depreciation of \$2,903 and \$1,304, respectively	5,094	6,693
Total Assets	\$ 27,037,040	\$ 33,806,829
LIABILITIES AND NET ASSETS		
<u>Liabilities:</u>		
Accounts payable and accrued expenses	\$ -	\$ 23,345
Deferred rent	10,241	11,940
Total liabilities	10,241	35,285
<u>Net assets:</u>		
Without donor restrictions	984,657	593,721
With donor restrictions - Note 7	26,042,142	33,177,823
Total net assets	27,026,799	33,771,544
Total Liabilities and Net Assets	\$ 27,037,040	\$ 33,806,829

See accompanying Notes to the Financial Statements.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Statements of Activities
For the years ended August 31, 2022 and 2021

Revenue and support:	Without Donor Restrictions	With Donor Restrictions	2022 Total	Without Donor Restrictions	With Donor Restrictions	2021 Total
Contributions	\$ 285,973	\$ 1,658,636	\$ 1,944,609	\$ 112,674	\$ 1,004,404	\$ 1,117,078
In-kind contributions	28,334	-	28,334	27,365	-	27,365
Investment income (loss), net of fees totaling \$143,708 and \$106,522, respectively	583	(7,015,586)	(7,015,003)	960	6,573,791	6,574,751
Special events	79,900	-	79,900	-	-	-
Other income	661	-	661	363	-	363
Net assets released from restrictions - Note 7	<u>1,778,731</u>	<u>(1,778,731)</u>	<u>-</u>	<u>2,409,419</u>	<u>(2,409,419)</u>	<u>-</u>
 Total revenue and support	 2,174,182	 (7,135,681)	 (4,961,499)	 2,550,781	 5,168,776	 7,719,557
 Expenses:						
Grants and related expenses	1,283,397	-	1,283,397	2,045,471	-	2,045,471
Management and general	349,904	-	349,904	289,099	-	289,099
Fundraising	<u>149,945</u>	<u>-</u>	<u>149,945</u>	<u>227,773</u>	<u>-</u>	<u>227,773</u>
 Total expenses	 <u>1,783,246</u>	 <u>-</u>	 <u>1,783,246</u>	 <u>2,562,343</u>	 <u>-</u>	 <u>2,562,343</u>
 Change in net assets	 390,936	 (7,135,681)	 (6,744,745)	 (11,562)	 5,168,776	 5,157,214
 Net assets, beginning of year	 <u>593,721</u>	 <u>33,177,823</u>	 <u>33,771,544</u>	 <u>605,283</u>	 <u>28,009,047</u>	 <u>28,614,330</u>
 Net assets, end of year	 <u>\$ 984,657</u>	 <u>\$ 26,042,142</u>	 <u>\$ 27,026,799</u>	 <u>\$ 593,721</u>	 <u>\$ 33,177,823</u>	 <u>\$ 33,771,544</u>

See accompanying Notes to the Financial Statements.

THE BETHLEHEM FOUNDATION, INC.
Statement of Functional Expenses
For the year ended August 31, 2022

	<u>Grants</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
University support - Note 9	\$ 1,251,227	\$ -	\$ -	\$ 1,251,227
Administrative costs allocated:				
Salaries	27,060	118,063	56,574	201,697
Benefits	2,427	8,852	9,074	20,353
Payroll taxes	2,147	9,070	4,488	15,705
	<u>31,634</u>	<u>135,985</u>	<u>70,136</u>	<u>237,755</u>
Contract service fees	-	99,152	15,222	114,374
Religious stipend	-	40,334	-	40,334
Rent	-	34,392	-	34,392
Printing and reproduction	-	1,028	30,269	31,297
Hospitality	-	963	16,291	17,254
Insurance	-	10,489	-	10,489
Other business expenses	-	5,767	2,130	7,897
Postage and delivery	-	322	6,934	7,256
Licenses	-	5,932	94	6,026
Credit card fees	-	4,462	266	4,728
Travel	-	1,317	3,106	4,423
Communications	536	3,843	-	4,379
Professional development	-	-	3,738	3,738
Equipment rental	-	1,648	327	1,975
Depreciation	-	1,598	-	1,598
Bank fees	-	1,592	-	1,592
Event expense	-	-	775	775
Office supplies	-	493	21	514
Meeting registrations	-	-	500	500
Legal	-	351	-	351
Advertising	-	236	136	372
Total	<u>\$ 1,283,397</u>	<u>\$ 349,904</u>	<u>\$ 149,945</u>	<u>\$ 1,783,246</u>

See accompanying Notes to the Financial Statements.

THE BETHLEHEM FOUNDATION, INC.
Statement of Functional Expenses
For the year ended August 31, 2021

	<u>Grants</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Endowment awards - Note 8	\$ 1,166,854	\$ -	\$ -	\$ 1,166,854
University support - Note 9	848,778	-	-	848,778
Administrative costs allocated:				
Salaries	22,128	78,992	130,594	231,714
Benefits	2,482	7,519	20,227	30,228
Payroll taxes	<u>1,598</u>	<u>9,164</u>	<u>8,008</u>	<u>18,770</u>
	26,208	95,675	158,829	280,712
Contract service fees	-	73,916	53,949	127,865
Religious stipend	-	50,031	-	50,031
Rent	-	34,392	-	34,392
Insurance	-	9,067	-	9,067
Travel	-	6,559	2,267	8,826
Postage and delivery	-	1,114	5,809	6,923
Communications	631	3,165	950	4,746
Credit card fees	2,982	1,716	-	4,698
Licenses	-	2,969	1,644	4,613
Printing and reproduction	-	29	3,406	3,435
Hospitality	-	1,672	759	2,431
Equipment rental	-	2,146	-	2,146
Office supplies	-	2,076	-	2,076
Bank fees	18	1,645	-	1,663
Legal	-	1,381	-	1,381
Depreciation	-	1,173	-	1,173
Other business expenses	-	155	160	315
Advertising	-	118	-	118
Meeting registrations	-	100	-	100
Total	<u>\$ 2,045,471</u>	<u>\$ 289,099</u>	<u>\$ 227,773</u>	<u>\$ 2,562,343</u>

See accompanying Notes to the Financial Statements.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Statements of Cash Flows
For the years ended August 31, 2022 and 2021

	2022	2021
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (6,744,745)	\$ 5,157,214
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,598	1,173
Net unrealized and realized (gains) losses on investments	9,241,590	(5,486,801)
Change in operating assets and liabilities:		
Pledges receivable	(114,359)	649,039
Prepaid expenses and other current assets	2,072	3,608
Accounts payable and accrued expenses	(23,345)	(1,340)
Deferred rent	(1,699)	(648)
Net cash provided by operating activities	2,361,112	322,245
<u>Cash Flows From Investing Activities:</u>		
Purchases of investments and reinvested earnings	(2,369,712)	(1,193,512)
Proceeds from sales of investments	194,072	717,462
Purchases of property and equipment	-	(2,417)
Net cash used in investing activities	(2,175,640)	(478,467)
Net increase (decrease) in cash and cash equivalents	185,472	(156,222)
Cash and cash equivalents, beginning of year	244,291	400,513
Cash and cash equivalents, end of year	\$ 429,763	\$ 244,291

See accompanying Notes to the Financial Statements.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements
August 31, 2022 and 2021

NOTE 1 **ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

The Bethlehem University Foundation, Inc. (the Foundation) was formed in 1998 as a New Jersey nonprofit corporation and operates solely for the support and promotion of Bethlehem University (the University). The Foundation is a separate entity from the University.

The Foundation was formed, according to the legal articles of incorporation, for the following purposes:

- To support and assist Bethlehem University in the Holy Land in its educational mission by providing supplemental funding and other assistance for all of its programs and services;
- To encourage renewed commitment to the University as a center of quality education and as the most effective educational instrument available to teach, to build community, and to provide service for the needs of the community and to seek and obtain funds or property in any form to be used for the benefit of the University;
- To provide a depository for gifts and bequests of all kinds and also to serve as a receptacle for receiving and managing these gifts that specify a certain purpose or program of the University as its beneficiary according to the established desire of the donor;
- To act as a trustee under any trust incidental to the purposes of the Foundation and to receive, hold, administer, and expend funds and property subject to such trust.

Accounting Method

The accompanying financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and Cash Equivalents

For purposes of financial statement presentation, the Foundation considers all highly liquid debt instruments with initial maturities of ninety days or less to be cash equivalents. Cash and money market funds held by investment managers are included in investments.

Investments

The Foundation reports investments at fair value using quoted market prices when available. Interest and dividends are reported when earned. Net realized and unrealized gains and losses on investments include the gains and losses on investments bought and sold as well as held during the year.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2022 and 2021

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Foundation complies with the Statement of Financial Accounting Standards Codification Topic Fair Value Measurements. This defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under this topic are described below:

Basis of Fair Value Measurement:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

The Foundation invests in common stock, mutual funds and exchange-traded funds which are stated at fair value based on quoted market prices at the date of the financial statements. Money market funds held as short term investments are carried at cost, which approximates fair value. Such investments are exposed to various risks such as market and credit fluctuation. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are to be received. Accretion of the discounts is included in contributions support. Conditional promises to give are not included as support until the conditions are met.

Computer Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives of five years. The Foundation capitalizes all property and equipment purchased with a cost of \$1,000 or more.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2022 and 2021

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Net Assets

Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions are currently available for operating purposes under the direction of management and the board of directors or designated by the board for specific use.

Net Assets With Donor Restrictions are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets to be held in perpetuity or for a specific term with investment return specified for a specific purpose.

Contributions

Unconditional contributions and university-designated support received, including unconditional promises to give, are recorded as revenue in the year notification is received from the donor. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants with donor-imposed restrictions are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor-imposed restriction or the time restriction has passed.

Contributions received related to special events that were postponed or cancelled due to COVID-19 are grouped with special events income on the statements of activities.

In-Kind Contributions

Contributions in-kind are recorded as contributions at their estimated fair value at the time goods or services are provided and include a portion of the Executive Assistant's stipend. Volunteer services are not recognized as they do not meet the definition of in-kind contributions under accounting principles generally accepted in the United States of America.

Expense Allocations

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs benefited.

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THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2022 and 2021

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

As a result of being operated in connection with the Roman Catholic Church in the United States, the Foundation is entitled to exemption from federal income tax under the provisions of section 501(c)(3), classified as an organization that is not a private foundation, and, therefore, is not required to file an annual federal income tax return. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended August 31, 2022 and 2021, the Foundation did not partake in any unrelated business activities.

NOTE 2 RISKS AND UNCERTAINTIES

Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk include cash deposits with commercial banks. The Foundation's cash management policies limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Cash deposits may, however, exceed the FDIC insurable limits at times throughout the year. Management does not consider this a significant concentration of credit risk.

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THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2022 and 2021

NOTE 3 INVESTMENTS

As of August 31, 2022 and 2021, the Foundation's investments at fair value consist of following:

	<u>2022</u>	<u>2021</u>
Money market	\$ 98,197	\$ 374,238
Fixed income - corporate securities	7,787,577	8,932,049
Equity - exchange-traded trust and mutual funds	18,215,327	23,860,763
Total	<u>\$ 26,101,101</u>	<u>\$ 33,167,050</u>

For the years ended August 31, 2022 and 2021, net investment income consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 2,370,295	\$ 1,194,472
Realized and unrealized gains (losses) on investments, net	<u>(9,241,590)</u>	<u>5,486,801</u>
Subtotal	(6,871,295)	6,681,273
Less, investment fees	143,708	106,522
Total net investment income (loss)	<u>\$ (7,015,003)</u>	<u>\$ 6,574,751</u>

Subsequent to the original date of the audit report of February 15, 2023, it was discovered that the balance of the total investments was understated by \$3,659,769 and the unrealized loss on investments for the year ended August 31, 2022 was overstated by the same amount.

NOTE 4 FAIR VALUE OF INVESTMENTS

The Foundation values its investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as described in Note 1. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

There have been no changes in the methodologies used during the years ended August 31, 2022 and 2021. The following is a description of the valuation methodology used for investments measured at fair value and their classification in the valuation hierarchy:

Fixed income - Corporate securities comprised of bonds listed on the national markets or exchanges which are valued at last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2022 and 2021

NOTE 4 FAIR VALUE OF INVESTMENTS (Continued)

Equity funds - Comprised of exchange-traded trust and mutual funds where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

The following tables set forth by level within the fair value hierarchy the Foundation's investment assets at fair value. Investments are stated at fair value and consist of the following at August 31, 2022 and 2021:

	2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 98,197	\$ -	\$ -	\$ 98,197
Fixed income funds	7,787,577	-	-	7,787,577
Equity funds	18,215,327	-	-	18,215,327
Totals	<u>\$ 26,101,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,101,101</u>

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 374,238	\$ -	\$ -	\$ 374,238
Fixed income funds	8,932,049	-	-	8,932,049
Equity funds	23,860,763	-	-	23,860,763
Totals	<u>\$ 33,167,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,167,050</u>

As noted in Note 3, subsequent to the original date of the audit report of February 15, 2023, it was discovered that the balance of the total investments was understated by \$3,659,769.

NOTE 5 PLEDGES RECEIVABLE

As of August 31, 2022 and 2021, pledges receivable consists of unconditional promises to give as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 135,031	\$ 61,750
One to five years	450,884	409,806
Total pledges	585,915	471,556
Less:		
Discount, 4.25%	(18,850)	(18,850)
Allowance for doubtful accounts	-	(70,000)
Pledges receivable, net	<u>\$ 567,065</u>	<u>\$ 382,706</u>

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2022 and 2021

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Foundation has an operating lease for office space in Beltsville, Maryland. The lease commenced on June 1, 2015 and expires May 31, 2025. The lease provides for an annual base rent of \$30,000 plus annual increases of 3% each anniversary date. For the years ended August 31, 2022 and 2021, rent expense totaled \$34,392 and \$34,392, respectively.

The following is a schedule of future minimum lease commitments as of August 31, 2022:

<u>Year</u>	<u>Amount</u>
2023	\$ 37,173
2024	38,288
2025	<u>29,357</u>
	<u>\$ 104,818</u>

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

The Foundation has received certain donations designated by the donor for specific uses. If these restrictions were met during the year that the contribution was made, the contribution was classified as without donor restrictions. Net assets released from restrictions by satisfying time or purpose restrictions for the years ended August 31, 2022 and 2021 totaled \$1,778,731 and \$2,409,419, respectively.

Net assets with donor restrictions consists of the following as of August 31:

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions:		
Subject to purpose:		
Accumulated earnings on endowment funds	\$ 9,469,001	\$ 17,062,710
Subject to passage of time:		
Pledges receivable: Large donor	-	5,641
Pledges receivable: Other	<u>497,065</u>	<u>377,065</u>
Total subject to passage of time	<u>497,065</u>	<u>382,706</u>
Total subject to purpose or passage of time	9,966,066	17,445,416
Subject to restriction in perpetuity:		
Endowment funds	<u>16,076,076</u>	<u>15,732,407</u>
Total net assets with donor restrictions	<u>\$ 26,042,142</u>	<u>\$ 33,177,823</u>

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THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2022 and 2021

NOTE 8 ENDOWMENT FUNDS

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment fund absent explicit Foundation donor stipulations to the contrary.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation, including general operating expenses, and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

As a result of this interpretation, the Foundation classifies the original value of the endowment gifts that have long-term time restrictions as a net asset with donor restriction. The Foundation's investment policy objective is to protect the principal, earn a return, and provide growth. The earnings on the endowment are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation. For the years ended August 31, 2022 and 2021, earnings of \$578,123 and \$1,054,996 were released for operations. As of August 31, 2022 and 2021, the Foundation had net assets with donor restrictions subject to perpetuity of \$16,076,076 and \$15,732,407, respectively.

Endowment net asset composition by type of fund as of August 31, 2022 and 2021 is as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor principal	\$ -	\$ 16,076,076	\$ 16,076,076
Accumulated income	-	9,469,001	9,469,001
Total funds	<u>\$ -</u>	<u>\$ 25,545,077</u>	<u>\$ 25,545,077</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor principal	\$ -	\$ 15,732,407	\$ 15,732,407
Accumulated income	-	17,062,710	17,062,710
Total funds	<u>\$ -</u>	<u>\$ 32,795,117</u>	<u>\$ 32,795,117</u>

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2022 and 2021

NOTE 8 **ENDOWMENT FUNDS** (Continued)

Changes in the endowment net assets for the years ended August 31, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, August 31, 2020	\$ -	\$ 26,977,302	\$ 26,977,302
Contributions	-	299,020	299,020
Interest and dividends	-	1,193,512	1,193,512
Net appreciation	-	5,486,801	5,486,801
Investment fees	-	(106,522)	(106,522)
Appropriated for expenditures	<u>-</u>	<u>(1,054,996)</u>	<u>(1,054,996)</u>
Endowment net assets, August 31, 2021	-	32,795,117	32,795,117
Contributions	-	343,669	343,669
Interest and dividends	-	2,369,712	2,369,712
Net depreciation	-	(9,241,590)	(9,241,590)
Investment fees	-	(143,708)	(143,708)
Appropriated for expenditures	<u>-</u>	<u>(578,123)</u>	<u>(578,123)</u>
Endowment net assets, August 31, 2022	<u>\$ -</u>	<u>\$ 25,545,077</u>	<u>\$ 25,545,077</u>

NOTE 9 **RELATED PARTY TRANSACTIONS**

The Foundation, through its Articles of Incorporation and Corporate Bylaws, recognizes its sole purpose to support and promote Bethlehem University. The Articles state that the Foundation will provide supplemental funding or assistance, encourage renewed commitment from previous contributors, provide and manage a repository of gifts and bequests, and to act as trustee under any trust incidental to the purposes of the Foundation to receive, hold, administer and expend funds and property subject to that trust. The Foundation remits to the University the following: all gifts and donations received wherein the University is the designated recipient and disburse grants to the University on endowed accounts annually in accordance with the Foundation's disbursement policies. For the years ended August 31, 2022 and 2021, the Foundation provided \$1,251,227 and \$848,778 in support, respectively. For the years ended August 31, 2022 and 2021, the Foundation granted \$0 and \$1,166,854, respectively, to the University from the endowment funds in accordance with the distribution policies of each individual endowment.

Subsequent to August 31, 2022, in September 2022, the Foundation granted \$1,181,025 of endowment funds to the University, which was paid in two installments, \$500,000 on September 19, 2022 and \$681,025 on September 20, 2022.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2022 and 2021

NOTE 10 LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Foundation's financial assets as of August 31, 2022 and 2021, reduced by amounts not available for general expenditure within one year, if any. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, funds that are purpose or time restricted beyond one year, endowments and accumulated earnings net of appropriations within one year.

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 429,763	\$ 244,291
Pledges receivable	497,065	382,706
Investments	<u>26,101,101</u>	<u>33,167,050</u>
Financial assets, at year-end:	27,027,929	33,794,047
Less those unavailable for general expenditure within one year, due to:		
Noncurrent portion of pledges receivable	(432,034)	(390,956)
Donor restricted endowments in perpetuity	<u>(16,076,076)</u>	<u>(15,732,407)</u>
 Financial assets available to meet cash needs for total expenses within one year	 <u>\$ 10,519,819</u>	 <u>\$ 17,670,684</u>

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 11 SUBSEQUENT EVENTS

As of February 15, 2023, except for Notes 3 and 4, as to which the date is August 14, 2023, the date the financial statements were available to be issued, the Foundation performed an evaluation and determined that there are no subsequent events requiring an adjustment to or disclosure in the accompanying financial statements, other than the endowment grants made to the University as noted on Note 9